

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5707

EMPLOYMENT SECURITY DEPARTMENT

Agency No. 540

Special Audit

January 1, 1994 Through October 31, 1995

Issue Date: November 8, 1996

TABLE OF CONTENTS

	Page
Background	1
Scope And Opinion	2
Schedule Of Findings:	
1. Public Funds Were Misappropriated By A Former Employee Of The Employment Security Department	3

EMPLOYMENT SECURITY DEPARTMENT
Agency No. 540
Special Audit
January 1, 1994 Through October 31, 1995

Background

On March 5, 1996, the Employment Security Department (ESD) informed the State Auditor's Office of potential irregularities involving certain travel and telephone expenses of the former Yakima District Tax Office (DTO) Administrator. At our request, ESD's Office of Special Investigations (OSI) conducted a special investigation of this matter. Their investigation revealed that at least \$2,517 in public funds was improperly used for the personal benefit of the former DTO Administrator.

During our audit, we reviewed the work performed by the OSI and materially agree with the findings and conclusions of their investigation. However, our review concluded that an additional loss amount of \$384 should be added to the total amount of loss substantiated by OSI. This additional amount would cover the full cost of the improper use of an agency vehicle by the former DTO Administrator rather than just the gasoline purchases he made for the vehicle during the period of questioned use. As further explained in this report, this increased the amount of the loss to \$2,901.

EMPLOYMENT SECURITY DEPARTMENT
Pierce County, Washington
Special Audit
January 1, 1994 Through October 31, 1995

Scope And Opinion

This report represents the results of our audit of certain travel and telephone transactions of the former Yakima District Tax Office (DTO) Administrator in the Employment Security Department (ESD) for the period January 1, 1994, through October 31, 1995. The purpose of our audit was to determine if selected travel and telephone expenses were made properly on behalf of the ESD.

Our audit was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. This audit was conducted under the authority of RCW 43.09.330.

The scope of our work was limited to determining whether certain travel and telephone expenses of the former Yakima DTO Administrator were made for authorized purposes. The scope of our work was not sufficient to enable us to express an opinion on the agency's financial statements and we do not express an opinion on the financial position or results of operations of the Employment Security Department.

In our opinion, as detailed in the following finding, the former Yakima DTO Administrator circumvented agency policies and procedures and misappropriated at least \$2,901 in public funds from the ESD.

EMPLOYMENT SECURITY DEPARTMENT
Agency No. 540
Special Audit
January 1, 1994 Through October 31, 1995

Schedule Of Findings

1. Public Funds Were Misappropriated By A Former Employee Of The Employment Security Department

Our audit of the financial records of the Employment Security Department (ESD) revealed that at least \$2,901 was misappropriated by the former Yakima District Tax Office (DTO) Administrator during the period January 1, 1994, through October 31, 1995. The schedule below summarizes these losses:

<u>Description</u>	<u>Amount</u>
Rental Car Charges	\$1,083
Personal Cellular Telephone Expenses	920
Agency Vehicle Use	656
Travel Advance Not Repaid	191
Personal SCAN Telephone Expenses	<u>51</u>
Total Losses	<u>\$2,901</u>

As of the date of this report, the former DTO Administrator has not reimbursed the ESD for any of the above listed inappropriate expenditures. Since all of these expenditures were charged to the Yakima DTO Cost Center, they represent federal questioned costs as follows:

<u>Federal Agency</u>	<u>Program</u>	<u>CFDA Number</u>	<u>Questioned Costs</u>
Department of Labor	Unemployment Insurance Program	17.225	\$2,901

These funds were misappropriated as described below.

a. Rental Car Charges

The ESD's Office of Special Investigations (OSI) compared the former DTO Administrator's time sheets, leave slips, and travel vouchers to dates when rental cars were used during 1994 and 1995 and found several instances where rental car charges were incurred while the former Administrator was not in an official travel status. This included weekends and periods he was on leave. These rental car charges totaled \$1,083.

b. Personal Cellular Telephone Expenses

The OSI determined that numerous questionable calls were made from the cellular telephone assigned to the former DTO Administrator. Billings for the use of the cellular telephone were mailed directly to the administrator by the telephone company. The administrator was responsible for reviewing the billing for accuracy of calls made and submitting it to headquarters for payment. The administrator failed to submit cellular telephone billings to the ESD between April and October 1995. Total personal cellular telephone expenses totaled \$920.

c. Agency Vehicle Use

The OSI compared agency vehicle use to the former DTO Administrator's time sheets, known commute miles, and travel vouchers for the period January 1994 to October 1995 and determined that the vehicle was used in excess of that required to perform the administrator's job duties. A total of 5,465 miles accumulated on the vehicle while checked out to the administrator were questioned by the OSI as not being business related. During the period under investigation, the administrator charged \$272 in gasoline purchases. OSI used this figure to calculate the amount owed to the agency. However, there are other costs associated with vehicle operation beyond gasoline consumption. Therefore, a more accurate reflection of the total excess costs charged to the agency would be the number of excess miles driven (5,465) multiplied by \$.12 per mile since this is the cost that was charged to the Yakima DTO Cost Center for the use of the vehicle. This mileage charge includes gasoline as well as other routine vehicle maintenance expenses. Total costs associated with this personal use of the agency vehicle were \$656.

d. Travel Advance Not Repaid

The former DTO Administrator received 2 travel advances covering the same period of time. The first advance was mailed to the Yakima DTO. The administrator requested a second travel advance claiming that the first one had not been received. The agency issued the second advance after the administrator agreed to return the original advance. An overpayment of \$191 occurred when the administrator kept both travel advances.

e. Personal SCAN Telephone Expenses

OSI examined the long distance telephone records of the former DTO Administrator from the State Controlled Area Network (SCAN) telephone system for the period April to October 1995 and questioned calls by the administrator totaling \$51.

RCW 42.20.060 states:

Falsely auditing and paying claims. Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town or city, a part of whose duty it is to audit, allow or pay, or take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent or contains any charge, item or claim which is false or fraudulent, shall be guilty of a gross misdemeanor.

RCW 42.52.70 states:

Special privileges. (Effective January 1, 1995.) Except as required to perform duties within the scope of employment, no state officer or state employee may use his or her position to secure special privileges or exemptions for himself or herself, or his or her spouse, child, parents, or other persons.

RCW 42.52.160 states in part:

Use of persons, money, or property for private gain. (Effective January 1, 1995.) (1) No state officer or state employee may employ or use any person, money, or property under the officer's or employee's official control or direction, or in his or her official custody, for the private benefit or gain of the officer, employee, or another

The ESD's Policy 1006, "Code of Ethics for Department Employees", prohibits the use of state resources for personal benefit. However, the former Yakima DTO Administrator was able to circumvent agency policies and procedures because of his position and authority.

The ESD has a personnel dishonesty bonding policy for all employees. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

We recommend the Employment Security Department seek recovery of the misappropriated \$2,901 and related audit/investigation costs from the former Yakima DTO Administrator. We further recommend the Washington State Office of the Attorney General and the Yakima County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.330.

We also recommend the Executive Ethics Board review this matter and take whatever action is deemed necessary under the circumstances.

Auditee's Response

The department concurs with the recommendations made in this finding. We are working with our Office of Special Investigations and the State Auditor in calculating the total cost of the investigation. It is our plan to hold the former employee liable for these costs in addition to the amounts shown in the audit report. We will coordinate with the Office of the Attorney General to ensure that actions taken by the department do not conflict with their plans to pursue prosecution.

As part of the department's ongoing improvement efforts, our internal audit unit will include reviews of controls over cellular phones and rental car usage during the next audit cycle. Also, ongoing reviews of SCAN and agency vehicle usage are included in internal audits of the department's field offices.

To reinforce the department's position on the use of telecommunication resources, including SCAN and cellular telephones, an updated policy has been drafted and is awaiting final approval. The policy was developed to lessen the potential for misuse or abuse of the agency's telecommunications system.